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THE HISTORY OF CO-OPERATION IN WESTERN CANADA

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CO-OPERATION began on the North American Continent in much the same manner as it began elsewhere—in the needs of men for mutual aid. The early pioneers who blazed a trail for civilization across the trackless prairie or hewed homes for themselves out of the primeval forest would have found the conditions of their lives utterly unbearable without the mutual aid which men have practised ever since accident showed them that union is strength. As far back as 1794 a co-operative boot and shoe factory was established by workers in Baltimore as a result of a dispute with the master shoemakers and in 1806 a similar co-operative was established in Philadelphia and for a similar reason, a contemporary account stating that it was “a striking evidence that they have become acquainted with the only means of securing a just reward for their labor.” Mutual insurance companies were established before the dawn of the 19th century in Philadelphia, Benjamin Franklin taking a hand in the founding of the first one.

The village community idea of Robert Owen was not unknown in the United States, which was a haven of refuge for numerous religious sects whose peculiar beliefs and social practices were obnoxious to their European neighbors. From 1776 onward a number of religious communities were founded on a communistic basis—the Shakers, the Harmony or Rappist community, Oneida, Zoar, Amana and others. The Rappists seem to have had difficulty in securing a suitable spot; they kept moving around and in 1824 one of their members went to Scotland, saw Owen and offered to sell him their land at Harmony. It was the chance Owen wanted and he bought it for the sum of \$140,000. The outcome was New Harmony which was to demonstrate the new order of society and the perfect state. It was the first of a number of failures; perfect societies need perfect men and women and in Owen's day they didn't exist. They don't exist yet.

Following the experiments on Owen's plan the intellectuals of the day tried to succeed where the common run of men and women had failed. These intellectuals—Horace Greeley, Ralph Waldo Emerson, Henry D. Thoreau, Nathaniel Hawthorne, Margaret Fuller, and a few more, had drunk deeply at the fount of Fourierist socialism and as Emerson put it each of them had “a draft of a new community in his waistcoat pocket.” The system of the French Utopian socialist, Charles Fourier, was that of a society governed by laws as exact as the law of gravitation. Men, he believed, ought to live in social groups just large enough to permit of perfect organization and government. The perfect size was 2,000 people; this was a phalanx. They would live in one building; the work of the community

would be divided among them according to capacity and, after allowing to each a minimum for subsistence, the wealth created would be divided into three parts, one each for Labor, Capital and Talent.

At Brook Farm, near Boston, Mass., they set out to establish "a system of brotherly co-operation for one of selfish competition" and a lot of other ideals. And they were in the way of making good when a disastrous fire destroyed their buildings and the misfortune ruined the enterprise. Other experiments in other places were tried along similar lines but they all failed. The promoters of these experiments, however, had one and all been instrumental in spreading the gospel of co-operation; especially Horace Greeley whose paper the New York Tribune was the medium for all reform ideas and who strongly advocated co-operation as a means of securing economic betterment for the workers.

Along with these experiments in community living there were experiments in co-operative business. As far back as 1810 the co-operative dairy had appeared in Connecticut; in the third decade of the century the New England Association of Farmers and Mechanics opened some co-operative stores; in the next decade the New England Protective Union built up a system of stores which at their height did a business of about \$2,000,000 a year; and loan and building associations were established in many cities.

Farmers Co-operatives

Most of this co-operative effort disappeared during the Civil War but a revival came with peace. In 1867 an industrial organization, the Knights of St. Crispin, which had as its purpose steady employment, fair wages and co-operative workshops, founded a number of stores. A year later the Patrons of Husbandry, better known as The Grange from the name given its locals, was founded. The Declaration of Purposes of the Patrons of Husbandry contained the following clause: "We propose meeting together, talking together, working together, buying together, selling together and in general, acting together for our mutual protection and advancement as occasion may require." It established a large number of co-operative stores on the Rochedale plan and by 1874 it could claim that through its co-operative enterprises, which aimed to supply the farmers with everything they needed for the farm and the home, it was saving them \$12,000,000 a year. The success of the co-operatives of the Patrons led to the founding of a similar organization in 1874 for the industrial workers, The Sovereigns of Industry. The declaration of purpose of this organization is also worth quoting from:

"Our order is for the purpose of elevating the character, improving the condition and as far as possible perfecting the happiness of the laboring classes of every calling. Our order will aim to cultivate a generous sympathy among its members and a supreme respect for the rights of others. We propose to have purchasing agencies through which the consumers reach the producers direct without so many needless middlemen who do nothing to merchandise but add to its cost. . . . In short the order is for the hard hand-workers, the real producers of wealth and its purpose is to enable them to control the whole of what they produce and exchange it as near as may be even with other hand-workers, thus saving to themselves the fortunes which those who are devoted to manipulating other people's labor and getting rich thereby, have heretofore taken by extortion."

This order worked hand-in-hand with the Patrons of Husbandry and in some cases they maintained joint co-operative stores. In other places they reciprocated, that is, members of the Sovereigns were admitted to membership in Patron stores and vice versa.

Incompetent management, the desperate competition of the private trade combined with hard times which made the maintenance of cash trading extremely difficult, and disloyalty, brought ruin to nearly all of these co-operative enterprises. The Sovereigns died in 1878 and although the Grange is still in existence many hundreds of its co-operative enterprises, which included grist-mills, manufacturing associations, tanneries and smithies, have perished, mainly through incompetent management and disloyalty of members.

In the eighties there was a revival principally through The Grange and other farming organizations and the celebrated Knights of Labor, and a number of co-operative enterprises were founded, furniture-making, boot and shoe making, printing, house building, and so on. Most of these enterprises disappeared, their decline accompanying that of the organizations which founded them.

Co-operative Marketing

Co-operative dairying, mutual insurance and building associations, have been the most persistent and successful forms of co-operation in the United States, co-operative ventures among the farmers being, on the whole, no more unsuccessful than corresponding ventures among the industrial workers. Co-operative cheese factories began in the State of Wisconsin 85 years ago; today Wisconsin has over 400 out of the 600 in the entire country. Co-operative butter-making began in New York State about 70 years ago; today there are over 1,400 butter-making co-operatives in the country, 660 of them being in the State of Minnesota. Co-operative livestock shipping began in the State of Iowa 57 years ago and today there are over 1,600 co-operative livestock shipping associations in the United States. In 1872 The Grange did its best to organize the cotton growers in the south and even established agents in England to sell the cotton but they were unable to hold the growers together owing to the control that other people had on the cotton growing business. The Grange also tried at the same time to organize co-operatively the tobacco growers, and again they met with failure owing to the influence of the tobacco manufacturers who practically held complete control of the producers. During the last fifty years other lines of farm produce have been organized for co-operative marketing and notably the fruit growers of California who have very large and very efficient marketing organizations handling every kind of fruit grown in the State. There are also numerous wool marketing co-operatives and some strong poultry and egg co-operatives doing millions of dollars worth of business annually.

Among the grain growers the Grange started the co-operative farmers' elevators, the first being built in Iowa in 1867. Today there are about 3,340 farmers elevators in the United States doing a business running into many hundred millions of dollars per year. The fight that these co-operative farmer elevator companies have had to put up against the established grain trade in the United States has always been severe and in the early days the Trade did its level best to put them out of business through the boycott and by pressure exerted through the local banks. The farmers who shipped through the co-operative farmers elevator companies were known as "Scoop Shovellers," shortened to "Scoopers," and about 25 years ago the Grain Dealers Association of Iowa circularized all their members to the effect that any who took grain from "Scoopers" would not receive any grain through the elevators of members of the Association. The Association also succeeded in getting the railroads to assist them in their boycott and special legislation had to be passed to save the co-operative elevators from financial ruin. Today a large number of these elevators are financially tied up with the private grain trade and they have as a matter of fact

stood in the way of developing a real and extensive co-operative grain marketing system. Through the recent efforts of the Federal Farm Board, however, they are being brought into the movement for centralized marketing and back to their original status of co-operative enterprises.

The Movement in Canada

Co-operation began in Canada in very much the same way as it began in the United States. Farming was of course the dominant occupation on this continent in the early part of the 19th century and naturally farmers gravitated together for the purpose of discussing their particular business, exchanging ideas on crops, cultivation, stock-raising, and other matters incident to agriculture. Accordingly, we find, among other forms of association, the agricultural clubs. The first of these appeared in the eastern part of Canada before the opening of the 19th century. There is evidence of one at Windsor, Nova Scotia, as early as 1765. One was formed in Quebec City under the patronage of the Governor-General, Lord Dorchester, in 1789 and in the following years others appeared at other places. Governments looked with favorable eyes upon these farmers' clubs and encouraged them, sometimes in fairly substantial ways. Through these farmers' clubs can be traced the beginnings of the local agricultural fairs in which prizes were given for seed, stock, and so on. There were a large number of these clubs in the fifties of last century, and the descendants of some of them exist to this day. These clubs, however, were purely of local character and no one seems to have thought of federating them and so making them the basis of a general farmers' organization.

The Dominion Grange

The Patrons of Husbandry was introduced into Quebec from the United States in 1872 and into Ontario in 1874, in both cases as branches of the American organization. This did not last very long. There were still United Empire Loyalist feelings in Ontario and also feelings engendered during the Civil War, and the patriots of Ontario while they wanted a farmers' organization, did not want one as a branch of an American organization. They wanted a Canadian farmers' organization and so in 1874 a break was made with the American organization and the Dominion Grange started out on its own, the body being incorporated under a federal charter in 1877. The first president of this organization declared the policy of the Grange with regard to co-operation in the following words: "We must dispense with the surplus of middlemen, not that we are unfriendly to them, but we do not need them—their exactions diminish our profits."

About 1876 locals of The Grange were established in Manitoba at High Bluff, Carberry, Gladstone, Arden, Eden, and some other places. The Grange established quite a number of co-operative enterprises in Ontario all of which came to grief. At its height the organization had a membership of about 31,000 of which 26,000 were in Ontario.

One of the most important of the enterprises of The Grange was the production of salt which it undertook in order to break a monopoly of that product. With varying fortunes this co-operative, the Ontario Peoples' Salt Manufacturing Company, existed for 38 years, going out of business in 1922 as a result of financial difficulties caused by the management assuming that war prosperity was a permanent thing.

The Dominion Grange also went into the insurance business. At this period there were a number of mutual fire insurance companies in Ontario. The Grange in 1877 added one more to the number. The Dominion Grange Mutual Fire Insurance Company lasted twenty-two years and went out of business because of internal dissension. The Grange also went into the

life insurance business establishing in 1880 the Canadian Mutual Aid Association. It did a fairly good business and it also in time was torn by internal dissension. In 1891 its name was changed to the Canadian Mutual Life Association but finally the institution was taken over by the Massachusetts Benefit Association of Boston. These institutions, let me point out, in their lifetime had demonstrated that their particular kind of business could be conducted successfully on a co-operative basis, but their history also demonstrated that no co-operative can survive dissension, strife, treachery and disloyalty within its ranks.

Farmers organizations have always taken a great interest in questions of money and banking. They have always maintained that the money interests were a privileged class exploiting the farmers and they have always stood for legislation intended to make credit cheaper for the farmers. The Grange protested strongly against any interest charges in excess of five per cent. In order to get money at five per cent for the farmers, The Grange Trust, Limited, was established in 1879. The plan of this co-operative association passed successfully through the scrutiny and criticism of the banking committee of the House of Commons, and the institution was incorporated under a Dominion Charter. What the promoters subsequently found was that even with the best intentions and the soundest plans private capital will not flow into a co-operative institution. The Grange Trust could not lend money unless it got the money from the people who had it, and in the end the promoters learned that those who had the money had no use for co-operative associations, so in 1886 this first attempt at co-operative banking in Canada expired for lack of capital.

The failures of the co-operative enterprises of The Grange accelerated the decline of the order and fundamentally that decline was due to a cause which it has often been asserted is characteristic of the farming class. The Grange declined because of internal dissension, in other words, the farmers did not stick together.

The Patrons of Industry

About 1890 a new farmers' organization made its way into Canada from the State of Michigan. This new organization was The Patrons of Industry. It also was a secret organization with a rule of signs, grips and passwords. It also promoted co-operative enterprises, the principal of which was the Farmers Binder Twine and Agricultural Implements Manufacturing Company, at Brantford, in 1892. Binder twine at that time was a monopoly and the monopoly was supported by the tariff. The co-operative enterprise of the patrons did well. It reduced the price of binder twine and paid good dividends. The management of this concern believed that it was unnecessary to establish substantial reserves, so it kept on paying good dividends and apparently trusting to luck to keep them up. The Patrons, however, were opposed to a protective tariff and they entered the election of 1896 as a political party and on a low tariff platform. The Liberal Party, also standing on a low tariff platform, was elected and the Liberal government wiped out the tariff on binder twine. Immediately the Patrons' co-operative enterprise found itself in fierce competition with the American twine manufacturers. The competition was beyond the capacity of the co-operative; it had no reserves to withstand unprofitably low prices and after struggling for a few years it gave up the fight.

Finally, the Patrons went into politics and in the election of 1896 they ran twenty-nine candidates, two of whom were in Manitoba. They succeeded in electing three, all in Ontario, but it was the beginning of the end. From that date the order began to decline carrying down with it its co-operative enterprises.

Revelations in the courts of Montreal of rates of interest charged poor people by money lenders, running to a few hundred per cent in some cases, induced a journalist of Levis, Quebec, Alphonse Desjardins, to study the co-operative credit systems of Germany, with the result that in 1910 the Co-operative People's Bank was established at Levis, the first co-operative credit system to be established on this continent. There are many hundreds of credit unions in operation today on the North American continent, Quebec alone having about 150.

Western Canada

A century ago Western Canada did not figure in the wheat producing countries of the world. Only a few knew that wheat could be grown in the territory and for substantial financial reasons they kept the information to themselves. It was the fur country par excellence and in the fur trade lay wealth almost beyond the dreams of avarice. The 750,000 square miles of territory now included in the Provinces of Manitoba, Saskatchewan and Alberta—referred to by super-patriots as "The Bread Basket of the Empire"—formed part of a vast private estate deeded in kingly generosity and geographical ignorance by Charles the Second of England to a number of gentlemen who assisted him to regain the English throne and who had learned of the wealth in furs that the land contiguous to the Hudson Bay was pouring into France. The vast area covered by the Charter became the property of these "Gentlemen Adventurers" in "perpetual succession"; they owned it and governed it and exploited its natural resources without let or hindrance from anyone, and while grain was grown around the trading posts with which they dotted the country, the fur trade was too valuable a source of wealth to risk by encouraging agricultural settlement. In the first quarter of the Nineteenth Century agricultural settlement began in the Red River Valley in what is now the Province of Manitoba and what these first of the farmer pioneers suffered at the hands of the fur traders makes a tragic chapter in the history of the Canadian Northwest, although the later farmers have been heard to say that it was only distinguished by its violence from the treatment which their successors received at the hands of the organized grain trade!

In 1867 the independent states of British North America were united in the Dominion of Canada, the far western state of British Columbia agreeing to join the confederation on the condition that east and west were linked by a transcontinental railway. In 1869 the Hudson's Bay company surrendered its charter to the government of the Dominion, the vast territories of the Northwest passed into public control and millions of acres of fertile wheat lands were thrown open for settlement and colonization. Out of these lands the Province of Manitoba was created in 1870 and the Provinces of Saskatchewan and Alberta in 1905. In 1880 the Dominion government in order to carry out the promise of a transcontinental railway entered into a contract with a group of capitalists and after many vicissitudes physical and political the railway was completed in 1885. Canada was united from coast to coast and the lure of free land was held out to the landless and the adventurous in every country in Europe, and the fur trade quickly gave way to the grain trade. In 1876 there was grown in Manitoba 480,000 bushels of wheat, 380,000 bushels of oats, and 373,000 bushels of barley, and in that year the first export of wheat took place, the shipment consisting of 857 bushels of Number One Manitoba Hard consigned to a seed firm in Eastern Canada. About 1881 commission houses were opened in Winnipeg and in 1883 an attempt was made to organize the grain trade without success. In 1887 the Grain Exchange was established and trading in futures began in 1903.

In the early days grain was shipped in bags through flat warehouses

which were built by the railway company. The railway company, however, needed all the capital it could secure for railway construction and in order to tempt private capital into the grain handling business it offered free sites at railway stations for the building of elevators and at the same time agreed that wherever an elevator was built the company would not accept grain for shipment except through the elevator. The natural result of this concession was a handling monopoly into which serious abuses inevitably crept.

Complaints of the Farmers

The regulation of the grain trade began in Canada in 1853, and government grading was introduced in 1863. These regulations, being before confederation, only applied to Eastern provinces. In 1874 the system was revised and extended to the West and by amendments to the Act in 1889 and 1891, a Standard's Board was appointed to establish statutory or contract grades for the West and also to establish commercial grades for grain of a quality inferior to statutory grade. An Act in 1889 created the Western Inspection Division and established grading and inspection at Winnipeg. This legislation was satisfactory enough to the Grain Trade but not to the farmers. The Act did not provide them with adequate protection and it did not touch abuses of which the farmers complained loudly. In brief, the charges of the farmers against this developing elevator system were:

- (1) That it deprived them of the opportunity of securing for themselves the full market price by compelling them to ship through the elevators;
- (2) That the elevators cheated with regard to weights;
- (3) That they took an excessive dockage for weed seeds, and foreign material in their grain;
- (4) that they gave lower grades than the grain was entitled to;
- (5) that they paid arbitrary prices;
- (6) that the elevators had no cleaning apparatus and the farmers were therefore compelled to part with screenings which were valuable as feed for stock;
- (7) that they often substituted a farmer's good grain for inferior grain to the profit of themselves.

The farmers had other complaints. They complained that the banks compelled them to sell their grain to redeem notes for advances to finance their farming operations, to the advantage of the grain companies; they complained that the railways did not give them a square deal with regard to leakage from cars and other losses in transportation. In short, it may be said that the farmers' complaint was that they were the victims of a tacit conspiracy to rob them by financial interests, grain interests, and railway interests.

The Manitoba Grain Act

In 1899 the government appointed a Royal Commission to investigate the complaints of the farmers. The outcome of this commission was the Manitoba Grain Act passed in 1900, under which all grain dealers were required to be licensed and bonded; the farmers were given the right to ship directly over loading platforms which the railways were ordered to construct on the demand of a certain number of farmers in a district, and the railways were also ordered to distribute cars without discrimination as between farmers and elevator companies. This Act has often been called the Magna Charta of the Western farmers. It was not long before the farmers discovered that it was one thing to put an act on the statute books and another thing to have it obeyed by the interests affected. Neither the

elevators nor the railways paid much attention to the Act, with the result that in 1901 a number of farmers in the North West Territories got together to find out what they could do to compel observance of the Act and obtain redress of other grievances. They formed the Territorial Grain Growers Association, and two years later the Manitoba Grain Growers Association came into existence. One of the first things that the newly formed Territorial Grain Growers Association did was to take action against the agent of the Canadian Pacific Railway at Sinaluta for violation of the Manitoba Grain Act in the distribution of cars. They won their case in the first court; the Canadian Pacific Railway appealed and the decision of the first court was upheld in the Appeal Court. Naturally the young association was exultant. It had measured its strength against the biggest corporation in Canada and it had won.

But still grievances remained, and in 1904 one of the most vigorous of the farmers' leaders in the West,—E. A. Partridge—suggested that they should form a co-operative company to market their own grain. There was a poor response to Partridge's suggestion, but the Manitoba association appointed a committee to look into it and on behalf of the association Partridge was sent to Winnipeg to make a personal investigation into the methods of the Grain Exchange.

The Fight with the Grain Exchange

Partridge made a report on the Grain Exchange which he described as "A combine with a gambling hell thrown in." The North West Grain Dealers' Association, which had been formed in 1903, he said, sets street prices and the object of the elevator companies was to get as large an amount of grain as they possibly could at the lowest price. Mr. Partridge was a master of invective and his report had the effect of scaring some of the conservatively minded farmers and of raising the temper of the grain dealers to boiling point. It had another result. The farmers set about forming a company and on September 5, 1906, the Grain Growers Grain Company opened for business with a subscribed capital of \$25,000, of which \$5,000 was paid up, and with a seat on the Winnipeg Grain Exchange for which the Company had paid one-half of its paid up capital, namely, \$2,500. As a matter of fact, the new Company could not have commenced business if a number of prominent farm leaders had not raised the necessary money on their personal notes. The new company did not buy grain; it operated on a commission basis only and six weeks after it started business it was suspended from the Grain Exchange on the ground that it had issued propagandist literature which was "offending against the honor and dignity of the Exchange"; which reflected on the methods adopted by the Exchange; and that the new Company had also violated by-law 18 of the Exchange. There was no doubt about the reflection on the methods of the Exchange and the farmers were certainly not sparing in the things they said about the grain dealers and elevator companies. By-law 19 of the Exchange set a commission of one cent a bushel on all grain sold on the Exchange. A circular had been issued by the promoters of the Grain Growers' Grain Company in which they stated that a patronage dividend would be paid. The Grain Exchange claimed that this meant splitting the commission with the shippers of grain and that by-law 19 prohibited this. Eventually, the Grain Exchange decided to abandon the charges offending against its honor and dignity but summoned the president of the Company, Mr. Partridge, to appear before the Council of the Exchange in connection with the patronage dividend. Partridge stuck to his guns. However, the directors of the Grain Growers' Grain Company discovered that because they were incorporated under the Manitoba Joint Stock Companies Act they were precluded from paying a patronage dividend. They thereupon

advised the Grain Exchange that they would put the matter of the patronage dividend before their shareholders at the next meeting and meanwhile they would discontinue promising patronage dividends to their members, and they asked for re-instatement on the Exchange. Their application was refused, and thereupon began a scrap in which the government was involved and in which the farmers' company threatened to commence a political agitation. The Hon. Robert Rogers told the Exchange that their action was "An arbitrary and unjustifiable exercise of powers" conferred through their charter, and stated that legislative action would be taken if the Grain Growers' Grain Company was not admitted to the privileges of the Exchange. The annual meeting of the Company killed the proposal for a patronage dividend and the Company again applied for admission to the Exchange. The application was granted this time after the Grain Exchange had declared that they still thought they were in the right, and the Company soothed the injured feelings of the private trade by transferring the membership on the Exchange from Mr. Partridge to another official of the Company.

This fight put a great strain upon the financial resources of the Company. With but little more than about \$5,000 of paid up capital they had an overdraft at the Bank of British North America of \$356,000 and the directors had pledged all their personal property as security. The grain which had accumulated on their hands during the scrap was sold to eastern buyers and to the Scottish Co-operative Wholesale Society which came to the support of the Company. Despite this strain the young Company paid dividends on its first year's business.

Extension of the Fray

Meantime the farmers were thoroughly roused and the annual meeting of the Manitoba Grain Growers' Association in 1906 passed a resolution declaring that the North West Grain Dealers' Association was a combine acting in restraint of trade and instructing their executive to draw the attention of the Attorney-General's department to the matter. Subsequently, the president of the association, D. W. McQuaig and others swore evidence against certain members of the North West Grain Dealers' Association and a prosecution was commenced.

The Dominion government also took notice of the agitation and another Royal Commission was appointed under the chairmanship of John Miller, the first secretary of the Saskatchewan Grain Growers Association so that both courts and commission were enquiring at the same time into the complaints of the farmers. The case in the courts fell down badly and the North West Grain Dealers came through with a clean bill of health. The commission also rejected the claim that the North West Grain Dealers was a combine, but it did suggest some changes in the Act.

In the meantime the political side of the matter had developed. Although the Grain Exchange and the Company had settled their differences the Roblin Government introduced a bill in the Legislature to amend the charter of the Exchange. The grain trade put up a great fight, but Premier Roblin threatened to resign if the bill were rejected by the Legislature. The Grain Exchange on its side threatened to dissolve if the bill passed. The bill was passed and on the 20th of February, 1908 the Winnipeg Grain Exchange went out of business. In September of the same year it reopened as a voluntary unincorporated association and it has remained that.

Co-operative Elevator Companies

A year or two after the formation of the Grain Growers Grain Company an agitation took place in the three provinces with regard to the de-

velopment of elevator facilities. The Manitoba Government in 1910 went into the elevator business. It constructed or purchased 163 elevators at a cost of \$1,100,000. It operated these elevators for two years and lost about \$110,000. Then the Government sought a way out of the difficulty and ultimately it leased its elevators to the Manitoba Grain Growers Grain Company.

A similar agitation took place in the other two prairie provinces and in 1910 the Saskatchewan Government appointed a commission to inquire into and report upon the creation and operation of a system of elevators. This commission had as its chairman Dr. Robert Magill of Dalhousie University, the other members of the Commission being Mr. George Langley and Mr. F. Green. It enquired fully into the complaints of the farmers regarding the grain trade, and in its report the commission declared against government ownership of elevators and in favor of a co-operative farmers' elevator company. In the light of subsequent developments in the co-operative marketing of grain the following passage from the report is interesting and significant:

"The Commission are unanimous in holding that a solution of the elevator problem satisfactory to the farmers must give the farmers full control of the system. And they are unanimous in holding that no storing and handling elevator is likely to be a financial success unless a considerable number of the growers of grain have a direct personal interest in and responsibility for the elevators. The Commission, therefore, are unanimous in holding that the solution must be sought along the line of co-operation by the farmers themselves, assisted in the matter of finance by a provincial loan. The Commission consider that special legislation should be enacted providing for the creation of a co-operative organization of the farmers on the principle of (1) the maximum amount of local control consistent with (2) ownership by the whole body of shareholders and management through a central board of directors."

"The Commission considers that the managing body should be wholly elected by the shareholders themselves and should be entirely independent of government interference."

As a result of the work of this commission the Saskatchewan Co-operative Elevator Company was formed in 1911. The plan was that a local elevator association was to be established wherever enough farmers signed up for shares equal to the proposed cost of the elevator. Fifteen per cent of the amount was to be paid up and the government was to advance the other 85 per cent for the construction of the elevator. The government also agreed to provide money for organization expenses and guaranteed the account of the company with the bank. The acreage signed up was to represent a proportion of at least 2,000 acres for every 10,000 bushels elevator capacity. The Act provided for a patronage dividend but the company never paid one. Each shareholder had one vote and voting by proxy was not allowed. Control was in the hands of delegates elected by each local. The subsequent history of the company will be dealt with later, but it may be pointed out here that the company was very successful and that in addition to dividends of 8 per cent paid regularly with the exception of the first year, the company paid in every year including the first year, stock dividends ranging all the way from 50 cents to \$4.50, these stock dividends enhancing enormously the original value of the shares.

In Alberta the farmers had also joined in the demand for government elevators, but in 1912 a special elevator committee of the United Farmers of Alberta recommended a plan similar to that adopted in Saskatchewan. The plan adopted was practically that of Saskatchewan with one signifi-

cant exception—while the government advanced 85 per cent for the construction of the elevators the provision of working capital was left to the company itself, the Alberta farmers having apparently a greater dread of government control, or perhaps a stronger desire for farmer control, than existed in Saskatchewan. In consequence the Alberta Farmers' Co-operative Elevator Company entered into arrangements with the Manitoba Grain Growers Grain Company under which the latter acted as its selling agent and financed it. At the end of the first crop year the Alberta Farmers' Co-operative Elevator Company had a paid up capital of about \$100,000 but was indebted to the Grain Growers' Grain Company for an amount in excess of \$328,000. There was a tight time from 1913 when the company came into existence, to 1916, in which the financing of the Alberta Company taxed both its own resources and those of the Grain Growers Grain Company, but by the end of 1916 the Alberta Company was able to pay its first dividend of 8 per cent.

When in 1915 proposals were put forward for the amalgamation of all three farmers' companies only the Alberta Company was willing to entertain the proposal, and in 1917 the Manitoba Grain Growers Company and the Alberta Farmers Co-operative Elevator Company became merged in United Grain Growers, Limited. With this merger several changes took place in the organization: proxy voting was abolished, the number of shares which could be held by one individual was increased, and the system of locals electing delegates to the annual meeting was adopted. The capitalization of the company was increased to \$5,000,000.

The General Movement

Meanwhile, co-operation was being tried out in other forms. Consumers' co-operative stores made an early appearance on the prairies as also did the co-operative creamery. There were local co-operative creameries long before the co-operative grain companies were formed, all of which existed somewhat precariously. In Saskatchewan shortly after the province was created, i. e., 1905, the local creameries voluntarily put themselves under government supervision and this was the beginning of a policy of government aid which was ultimately to involve loans totalling over \$800,000, advanced over a period of fifteen years, namely from 1908 to 1923. In 1917 the separate local creameries were amalgamated under the name of Saskatchewan Co-operative Creameries, Limited, the idea being to get the creamery co-operatives into an organization similar to that of the Saskatchewan Co-operative Elevator Company. Manitoba and Alberta farmers were not so generously treated by their governments and their co-operatives which could not stand on their own feet have been allowed peacefully to die.

Co-operative livestock marketing in the West had been confined to local organizations collecting and shipping stock to the primary market. In 1922 United Grain Growers organized a livestock marketing department and introduced the pooling system with grading for foreign markets. In 1924 this department was incorporated as a separate company under the name United Livestock Growers. Co-operative livestock marketing has been affected by the pool movement and its present situation will be described later, in connection with the pool system.

The grading of wool for the market was undertaken by the federal department of agriculture in 1913. Local shipping associations were formed and in Manitoba and Saskatchewan the provincial branch of the Department of Agriculture undertook to act as a marketing agent for sheep raisers who would accept and follow the rules laid down by the department. In 1918 the various local associations throughout the country organized the

Canadian Co-operative Wool Growers, Limited, under a Dominion charter. This wool marketing co-operative is of national scope with interest on capital limited by by-law to eight per cent and provision made for a patronage dividend based on the quantity of wool shipped by patrons who may or may not be shareholders. Shareholders do not share in the patronage dividend except as shippers of wool.

In British Columbia agricultural co-operative associations date back as far as the seventies of last century and one of these early associations—the Vancouver Island Flockmasters' Association, formed to promote sheep-breeding and wool marketing—is still in existence. There was great co-operative activity, a lot of it futile, however, in the nineties when some still existing creameries were formed. The principal co-operatives in the provinces are in connection with dairying, and fruit and vegetable growing.

Up to the end of the war, therefore, we had in Western Canada, the Canadian Co-operative Wool Growers, a nationally organized co-operative, the two great grain marketing organizations, United Grain Growers and Saskatchewan Co-operative Elevators, in Saskatchewan the federal system of the Saskatchewan Co-operative Creameries, in British Columbia fairly large fruit and dairy co-operatives and throughout the four provinces a number of co-operative associations of a miscellaneous character.

The Rise of the Wheat Pools

The western wheat crop during the last two years of the war was sold at prices set by arrangement between the British and Canadian governments, the distribution being under the control of a specially created Board of Grain Supervisors. For the handling of the crop of 1919-20 the Canada Wheat Board was appointed with a complete monopoly of the marketable crop and full powers, conferred under the War Times Act, to arrange its distribution. The Board paid an initial price to the grower on delivery of the grain at a country point and issued a participation certificate entitling the owner to further payments as the grain was sold. In effect the Canada Wheat Board was a compulsory pool, with a board of directors chosen from the various interests connected with the grain business.

This system appealed to the grain grower. It secured for him an excellent price, relieved him of the trouble of studying markets (no small trouble for a farmer ten to thirty miles away from a railway station or a post office) allowed him to deliver his grain when it was most convenient to him, and gave him the intense satisfaction of seeing the middlemen and the speculators with their occupation gone. So the farmers endeavored to have the Wheat Board continued but the government was not so inclined and the open market system was re-established in 1920. Then came the terrible slump in agricultural prices. Hundreds of farmers in Western Canada simply packed up their personal belongings and left their farms to their creditors. The cry was loud for re-establishment of the Wheat Board. The farmers took direct political action and in the election of 1921 they swept the middle west. A new federal government was immediately pressed for restoration of the Wheat Board but the war time legislation had expired and the law officers of the Crown declared that the re-establishment of the Board with such powers as the old Board had possessed was "a project constitutionally incompetent to the Parliament of Canada." An effort was made to surmount the difficulty by concurrent legislation; that is, the federal parliament passed a measure going as far as its constitutional powers permitted, and the legislatures of Manitoba, Saskatchewan and Alberta were to pass complementary legislation, the whole to invest the Board with the required monopolistic powers. Special sessions of the Saskatchewan and Alberta legislatures passed the necessary legisla-

tion. A provincial election delayed the matter in Manitoba but when the measure came before the Manitoba legislature it was defeated by three votes. The other two provinces then abandoned the project, partly at least, because the men to whom the management of the Board had been offered, namely Mr. J. I. McFarland and Mr. J. R. Murray, stated that the successful operation of the Board required "the sympathetic co-operation of the grain trade" and "the majority of the grain trade is opposed to the operation of the proposed Board." The farmers then turned immediately to the idea of a voluntary co-operative marketing association modelled on the lines of the fruit co-operative pools of California.

One important factor aided in the development of the pooling system. Canada, Australia and the United States all had experience during the war years of price fixing and special regulation of the trade in wheat, and in all three countries the abandonment of government interference was followed by a voluntary movement, the object of which was to secure all the advantages of controlled marketing without the disadvantages of government interference. The great desideratum was the stabilization of prices and the experience of government control during the war added to the experience of the contract single commodity merchandising co-operatives of California, convinced the farmers of the North American continent that ruinous fluctuations in the wheat market could be prevented by the orderly marketing of the wheat crop.

The first proposal of a wheat pool on this continent was made by a farmers organization in the State of Washington, in January, 1920. The plan was brought to the attention of the farmers of Western Canada in the same year and during the agitation for re-establishment of the Canada Wheat Board. The subject was given considerable attention by the Canadian Council of Agriculture, but that body found it impossible to agree on a plan and finally it was taken up by the provincial organizations acting independently, the United Farmers of Alberta taking the lead. The Saskatchewan Grain Growers' Association first proposed a purely voluntary pool without a contract, but the proposal met with so much opposition that it was eventually abandoned and the farmers united on a contract pool.

After a three months hectic drive for signatures to the pool contract the Alberta Wheat Pool opened for business on October 19, 1923, with a membership of 26,000 and 2,536,300 acres under contract.

Saskatchewan and Manitoba were later in starting and it was not until the following year that their organizations were complete, the Manitoba Pool opening for business on September 2, 1924, with 8,000 members and 720,000 acres under contract, and the Saskatchewan Pool on September 8, 1924, with 47,000 members and approximately 7,000,000 acres under contract.

In July, 1924, after the three Pools had been duly incorporated, the provisional boards of each met in Regina and completed an agreement for the formation of a central selling agency. This body was incorporated under a Dominion Charter as The Canadian Co-operative Wheat Producers, Limited, in August, 1924. Through this institution all Pool grain is placed on the world's market.

These Pools were not brought into existence without some real hard work on the part of those to whom the farmers gave the job of organization. Candor compels the admission that to many the Pools appeared as a straight substitute for the Canada Wheat Board and a means for securing a higher price for wheat, but it must also be emphasized that many thousands who lent a hand in the organization out in the country saw in the pro-

posal a realization of their thwarted plans for a genuine producers' co-operative, operating through the control of volume toward a stabilization of prices, eliminating the middlemen, cutting down the costs of marketing and obtaining for the producer all the market would give.

The organizing committees for these Pools faced the task before them without any financial resources. United Grain Growers Limited advanced money for organization purposes to all three provisional boards. The Saskatchewan Co-operative Elevator Company and the Saskatchewan Government assisted the Saskatchewan Pool Board and the Alberta Government made a loan to the Alberta Pool Board and also guaranteed the first year of operation with the banks. All loans for these purposes of organization were repaid within each Pool's first year of operation.

The Pooling System

The essential difference between the pooling co-operatives and the older marketing co-operatives may be summarized thus: (1) a pool is a single commodity selling organization, selling for its members only; (2) as a rule, it is a non-capital association, operating at cost, and financing on the commodity itself; (3) it does not commence business until a certain volume of the commodity is guaranteed, this guarantee being in the form of a legally enforceable membership contract, effective for a stated period; (4) it builds reserves from deductions, authorized by the contract, from the gross selling price of each member's deliveries; (5) it markets through a central selling agency; (6) it pays to all members the average price received for the commodity, grade for grade, over the marketing period. The declared purpose of the pools is to economize marketing, to equate, as far as conditions will permit, supply and demand at a given time and place, and thus prevent ruinous fluctuations in price, and to establish direct contact between the producer and consumer, manufacturer or processor.

The pooling system has had a marked effect upon agricultural co-operative organizations in Western Canada. The pooling principle has been applied to dairying, livestock marketing, and egg and poultry marketing, and the contract has been a feature of most of the marketing associations.

The Alberta farmers, who were first in the field with the Wheat Pool, were also the first with a livestock marketing pool on a contract basis, the stock being sold through United Livestock Growers. In 1928 livestock pools were formed in Saskatchewan and Manitoba and a central selling organization for livestock was created to operate on the Winnipeg stock market. The organization of livestock marketing has gone further than this, the provincial organizations of the West meeting with similar organizations of the East and forming the Canadian Livestock Co-operative which controls the selling agency in Winnipeg and also one in Montreal. Thus co-operative livestock marketing has developed within the last few years into a Dominion-wide institution.

Manitoba was first in the West with an egg and poultry marketing co-operative, this being established in 1922. Poultry pools have also been formed in the other three western provinces and these have been linked up in the Canadian Poultry Pool, Limited, and negotiations are in progress for linking up with the egg and poultry co-operatives of the eastern provinces into a Dominion-wide organization.

Co-operative dairying has not progressed so rapidly. The largest co-operative creamery in Manitoba is the Manitoba Co-operative Dairies, which was organized in 1921. This co-operative has made steady progress and in 1927 had acquired a plant in Brandon and in 1929 another plant in

Dauphin. The Saskatchewan Co-operative Creameries ran into a lot of misfortune during the years following the war and although the government had advanced over three-quarters of a million dollars to assist it, its financial difficulties became so great that in 1928 it was merged with a large private creamery, the merger being completed in the pious hope that its co-operative character would one day be restored. To make it a real co-operative again the shareholders of the private company will have to be bought out and to enable this to be done these shareholders gave the new company an option on their investment for five years. For the present, therefore, it has regretfully to be said that in Saskatchewan co-operation in the creamery business after thirty years trial has not been a success. Not because there is anything wrong with the principle, but because there was a great deal wrong with the system and its management. In Alberta also there has been some trouble in getting the co-operative dairies on a pooling basis, but arrangements have been made with the several co-operative creameries looking toward the eventual adoption of a provincial-wide dairy pool on a federated basis.

In the three prairie provinces efforts are also being made to consolidate the local purchasing co-operatives, the local co-operative stores, oil stations and other agencies of the character of consumers' co-operatives. A co-operative wholesale has been formed in Manitoba and one in Saskatchewan and it is hoped in time to get a central buying organization for the three prairie provinces.

Canada is a large country, and it might almost be said that the east and the west form two or more distinct nations. It is necessary in this country that organization of Dominion-wide enterprises should follow the lines of political organization and that the local associations should be united in a provincial organization and the provincial organizations united in a national organization of a federal character. The organization of provincial associations was begun in Manitoba in 1927 by the formation of the Manitoba Co-operative Conference, the membership of which is composed of all the provincial co-operatives. The purpose of the Conference is to use co-operation for the good of co-operation. In other words, the co-operative associations have joined together to promote and develop their own interest. A similar kind of provincial organization has been formed in British Columbia, Alberta and Ontario, and in the course of time no doubt the co-operatives of the other provinces will follow suit. When these provincial organizations are completed the next step will be their federation in a national organization which will give unity to the entire Canadian co-operative movement.